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September 13, 2006

BY OVERNIGHT DELIVERY AND E-FILE

Mary L. Cottrell, Secretary  
Department of Telecommunications and Energy  
One South Station  
Boston, MA 02110

Re: Bay State Gas Company, D.T.E. 06-31

Dear Ms. Cottrell:

Enclosed for filing, on behalf of Bay State Gas Company ("Bay State"), please find Bay State's responses to the following Information Requests:

From the DTE:

DTE-BSG-3-15

DTE-BSG-3-03 (BULK RESPONSE)

Please do not hesitate to telephone me with any questions whatsoever.

Very truly yours,

Patricia M. French

cc: Paul Osborne (DTE)  
A. John Sullivan (DTE)  
Alexander Cochis, Assistant Attorney General (4 copies)  
Charles Harak, Esq. (UWUA)  
Nicole Horberg Decter, Esq. (USW)  
John K. Habib, Esq.  
James Avery, Esq.

COMMONWEALTH OF MASSACHUSETTS  
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE  
THIRD SET OF INFORMATION REQUESTS FROM THE DTE  
D.T.E. 06-31

Date: September 13, 2006

Responsible: Stephen H. Bryant, President

DTE-BSG-3-15      Refer to Exh. BSG-1, at 24. Please discuss the evidence that the Company is referring to regarding its position that recent sales growth declines resulted from changes in the residential oil-to-gas conversion market.

RESPONSE:      There have been two significant changes to the economics of oil-to-gas conversions since 2000. First, residential conversion burner installations have become much less attractive to both the Company and potential customers, due to increased installation costs and the fact that conversion burners represent older technology. Customers must now install a new heating system in order to convert from fuel oil to natural gas, dramatically increasing the first cost of conversion for the customer. This first cost for a customer is typically in range of \$3,000 to \$5,000. While the decision to convert space heating fuel from oil to gas still represents an attractive undertaking for some customers, due to the non-price product attributes of natural gas vs. oil, not every customer is willing to invest up to \$5,000 for the conversion. Second, since 2001, natural gas prices have been higher than the price of oil. For much of the previous 20 years, the cost of the two fuels generally remained fairly close. In conclusion, the increased first cost to customers for converting from oil to gas, coupled with the increased comparative cost of natural gas vs. to oil, have combined to reduce the demand for residential oil-to-gas conversions.